

## **2023/24 HONG KONG BUDGET EXECUTIVE SUMMARY**

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### **1. Key measures**

#### **(i) Supporting enterprises**

- Reduce 100% of 2022/23 profits tax, subject to a ceiling of HKD6,000.
- Provide rates concession for non-domestic properties for the first two quarters of 2023/24, subject to a ceiling of HKD1,000 per quarter.
- Extend the application period of all guarantee products under the SME Financing Guarantee Scheme to March 2024.

#### **(ii) Supporting the general public**

- Reduce 100% of 2022/23 salaries tax and tax under personal assessment, subject to a ceiling of HKD6,000.
- Increase the basic child allowance and the additional child allowance for each child born from HKD120,000 to HKD130,000 starting from 2023/24.
- Provide rates concession for residential properties for the first two quarters of 2023/24, subject to a ceiling of HKD1,000 per quarter.
- Grant each eligible residential electricity account a subsidy of HKD1,000.
- Provide an extra half month allowance of the standard Comprehensive Social Security Assistance payments, Old Age Allowance, Old Age Living Allowance and Disability Allowance. Similar arrangements will apply to the Working Family Allowance.
- Pay examination fees for school candidates sitting for the 2024 Hong Kong Diploma of Secondary Education Examination.
- Extend the Public Transport Fare Subsidy Scheme for six months to October 2023.
- Extend the current arrangement of distributing electricity charges relief of HKD50 a month to each account to end of 2025.
- Issue HKD5,000 electronic consumption vouchers to each eligible Hong Kong permanent resident and new arrival aged 18 or above in two instalments.

**1. Key measures (Continued)**

**(iii) Others**

- Introduce a mechanism to provide facilitation for companies domiciled overseas for re-domiciliation to Hong Kong.
- Introduce a new Capital Investment Entrant Scheme : applicants may reside and pursue development in Hong Kong after making investment at a certain amount in the local asset market, excluding property.

## 2. Profits Tax

Persons carrying on business in Hong Kong are liable to profits tax on profits arising in or derived from Hong Kong.

Profits tax rate remains unchanged for 2023/24# :

	<u>Corporations</u>	<u>Unincorporated business</u>
➤ Standard tax rate	16.5%	15%
➤ Two-tiered profits tax rates regime*		
• First HKD2 million of assessable profits	8.25%	7.5%
• Remaining balance	16.5%	15%

# Concessionary regimes are available for certain specified industries in business activities

\* Only one entity within a group can benefit from the two-tiered rates

Major areas in respect of the profits tax are set out below :

### (a) Capital allowances

Depreciation allowance rates for  
plant and machinery

- Initial allowance 60% of qualifying expenditure
- Annual allowance 10%, 20% or 30% on the written down value brought forward

Industrial building allowances

- Initial allowance 20% of qualifying expenditure
- Annual allowance 4% of qualifying expenditure

Commercial building allowance 4% of qualifying expenditure

Building refurbishment 20% deduction for 5 years

### (b) Other deductions

Expenditure on environmentally friendly machinery and equipment 100% deduction

Expenditure on computer hardware and software 100% deduction

Enhanced deduction for qualifying research and development expenditure 300% for the first HKD2 million  
200% for the remaining balance

Deductions for charitable donations 35% of assessable profits

## 2. *Profits Tax (Continued)*

### (c) **Proposed measures**

- To introduce a “patent box” tax incentive to provide tax concessions for profits sourced in Hong Kong from qualifying patents generated through R&D activities.
- To provide tax deduction for the spectrum utilisation fees to be paid by the telecommunications network operators which successfully bid for radio spectrum.
- To enhance the aircraft leasing preferential tax regime by allowing tax deduction for the acquisition cost of aircraft and expanding the scope of leases and aircraft leasing activities.
- To increase the tax deduction from 100% to 200% for the Mandatory Provident Fund voluntary contributions made by employers for their employees aged 65 or above.

### 3. *Salaries Tax*

Salaries tax charged is the lower of :

- net assessable income less charitable donations and allowable deductions at the standard rate of 15%; or
- net assessable income less charitable donations, allowable deductions and personal allowances, charged at the following progressive rates :

	Tax rate	2022/23 and <u>2023/24</u> HKD
First HKD50,000	2%	1,000
Next HKD50,000	6%	3,000
Next HKD50,000	10%	5,000
Next HKD50,000	14%	7,000
Remaining balance	17%	

Major areas in respect of the salaries tax are set out below :

#### (a) **Personal allowances**

	<u>2022/23</u> HKD	<u>2023/24</u> HKD
Personal allowance :		
Basic	132,000	132,000
Married	264,000	264,000
Single parent	132,000	132,000
Disabled	75,000	75,000
Child allowances :		
1st to 9th (each) basic and additional allowance		
Year of birth	240,000	<b>260,000</b>
Other years	120,000	<b>130,000</b>
Dependent parent/grandparent allowance (aged 60 or above)		
Basic	50,000	50,000
Additional	50,000	50,000
Dependent parent/grandparent allowance (aged between 55 to 59)		
Basic	25,000	25,000
Additional	25,000	25,000
Dependent brother/sister allowance	37,500	37,500
Disabled dependent (spouse/child/parent/ grandparent/brother/sister) allowance	75,000	75,000

### 3. *Salaries Tax (Continued)*

#### (b) **Deductions**

	<u>Maximum limit</u> HKD
Domestic rents deduction	100,000
Elderly residential care expenses	100,000
Home loan interest	100,000
Mandatory annual contributions to recognised retirement schemes	18,000
Self-education expenses	100,000
Qualifying annuity premiums paid and voluntary contributions to the Mandatory Provident Fund	60,000
Qualifying voluntary health insurance scheme policy premiums	8,000 per insured person
Approved charitable donations	35% of assessable income

#### 4. *Property tax*

The standard rate remains at 15%.

#### 5. *Rates*

Rates on properties remain at 5% of the rateable value.

A progressive rating system for domestic properties will be introduced in 2024/25 :

<u>Annual rateable value</u> HKD	<u>Proposed rates</u> HKD
550,000 or below	5%
550,001 to 800,000	First 550,000 : 5% Next 250,000 : 8%
Above 800,000	First 550,000 : 5% Next 250,000 : 8% Above 800,000 : 12%

## 6. Stamp duty

### (a) Property transactions

Stamp Duty rates and banding on property transactions :

- (i) A flat rate of 15% ad valorem Stamp Duty applies to all residential property purchases.
- (ii) For the sale and purchase or transfer of non-residential properties and residential property acquired by Hong Kong permanent residents who do not own other residential properties in Hong Kong and in other specified circumstances, is subject to the following rates :

<u>Property consideration</u> HKD	<u>Stamp duty rate</u> HKD
Up to 3,000,000	100
3,000,000 to 3,528,240	100 + 10% of excess over 3,000,000
3,528,241 to 4,500,000	1.5%
4,500,001 to 4,935,480	67,500 + 10% of excess over 4,500,000
4,935,481 to 6,000,000	2.25%
6,000,001 to 6,642,860	135,000 + 10% of excess over 6,000,000
6,642,861 to 9,000,000	3%
9,000,001 to 10,080,000	270,000 + 10% of excess over 9,000,000
10,080,001 to 20,000,000	3.75%
20,000,001 to 21,739,120	750,000 + 10% of excess over 20,000,000
21,739,121 and above	4.25%

- (iii) Special stamp duty

Special stamp duty on disposal of residential properties is imposed on the sale consideration or market value of the property, whichever is higher, as at the date of sale.

<u>Holding period</u>	<u>Tax rate</u>
6 months or less	20%
more than 6 months but not exceeding 12 months	15%
more than 12 months but not exceeding 36 months	10%

- (iv) Buyer's stamp duty

A Buyer's Stamp Duty at 15% is payable on the purchase of residential property by a company (including Hong Kong and foreign companies) or non Hong Kong permanent residents.

### (b) Sales and purchase of Hong Kong stock

0.26% of the consideration or the market value of each transaction of Hong Kong stock as at the transfer date, whichever is higher.